MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2015/2016

BAC1054 – PRINCIPLES OF MANAGEMENT ACCOUNTING

(All sections / Groups)

1 MARCH 2016
2.30 p.m – 4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **EIGHT (8)** printed pages with:
   Section A: Twenty (20) multiple choice questions (40 marks)
   Section B: Three (3) structured questions (60marks)

2. Answer **ALL** questions.

3. Answer **Section A** in the multiple-choice answer sheet provided and **Section B** in the answer booklet provided.

4. Marks allocations are shown at the end of each question.

SECTION A

1) Incremental analysis is synonymous with
   a. difficult analysis.
   b. differential analysis.
   c. gross profit analysis.
   d. derivative analysis.

2) In incremental analysis,
   a. only costs are analyzed.
   b. only revenues are analyzed.
   c. both costs and revenues may be analyzed.
   d. both costs and revenues that stay the same between alternate courses of action will be analyzed.

3) Incremental analysis is most useful
   a. in developing relevant information for management decisions.
   b. in choosing between capital budgeting methods.
   c. in evaluating the master budget.
   d. as a replacement technique for variance analysis.

4) It costs Lannon Fields RM28 of variable costs and RM12 of allocated fixed costs to produce an industrial trash can that sells for RM60. A buyer in Mexico offers to purchase 3,000 units at RM36 each. Lannon Fields has excess capacity and can handle the additional production. What effect will acceptance of the offer have on net income?
   a. Decrease RM12,000
   b. Increase RM12,000
   c. Increase RM108,000
   d. Increase RM24,000

5) Opportunity cost is usually
   a. a standard cost.
   b. a potential benefit.
   c. a sunk cost.
   d. included as part of cost of goods sold.

Continued...

6) North Division has the following information:

Sales	RM1,200,000
Variable expenses	640,000
Fixed expenses	620,000

If this division is eliminated, the fixed expenses will be allocated to the company's other divisions. What is the incremental effect on net income if the division is dropped?

a. RM60,000 increase
b. RM620,000 decrease
c. RM560,000 decrease
d. RM580,000 increase

7) The decision rule on whether to sell or process further
a. varies from situation to situation.
b. is process further as long as total revenue exceeds present revenues.
c. is process further if incremental revenue from such processing exceeds incremental fixed costs.
d. is process further if incremental revenue from such processing exceeds the incremental processing costs.

8) Why are budgets useful in the planning process?
a. They provide management with information about the company's past performance.
b. They help communicate goals and provide a basis for evaluation.
c. They guarantee the company will be profitable if it meets its objectives.
d. They enable the budget committee to earn their paycheck.

9) A budget
a. is a substitute for management.
b. is an aid to management.
c. can operate or enforce itself.
d. is the responsibility of the accounting department.

Continued...

10) Which of the following statements about budget acceptance in an organization is true?
   a. The most widely accepted budget by the organization is the one prepared by top management.
   b. The most widely accepted budget by the organization is the one prepared by the department heads.
   c. Budgets are hardly ever accepted by anyone except top management.
   d. Budgets have a greater chance of acceptance if all levels of management have provided input into the budgeting process.

11) If there were 60,000 pounds of raw materials on hand on January 1, 120,000 pounds are desired for inventory at January 31, and 410,000 pounds are required for January production, how many pounds of raw materials should be purchased in January?
   a. 350,000 pounds
   b. 530,000 pounds
   c. 290,000 pounds
   d. 470,000 pounds

12) The following information is taken from the production budget for the first quarter:

Beginning inventory in units	1,200
Sales budgeted for the quarter	426,000
Capacity in units of production facility	472,000

How many finished goods units should be produced during the quarter if the company desires 3,200 units available to start the next quarter?
   a. 428,000
   b. 424,000
   c. 474,000
   d. 429,200

13) An overly optimistic sales budget may result in
   a. increases in selling prices late in the year.
   b. insufficient inventories.
   c. increased sales during the year.
   d. excessive inventories.

Continued...

14) The following information was taken from Southgate Industry's cash budget for the month of July:

Beginning cash balance	RM480,000
Cash receipts	304,000
Cash disbursements	544,000

If the company has a policy of maintaining a minimum end of the month cash balance of RM400,000, the amount the company would have to borrow is
a. RM160,000.
b. RM80,000.
c. RM240,000.
d. RM96,000.

15) A major element in budgetary control is
a. the preparation of long-term plans.
b. the comparison of actual results with planned objectives.
c. the valuation of inventories.
d. approval of the budget by the stockholders.

16) Budget reports should be prepared
a. daily.
b. monthly.
c. weekly.
d. as frequently as needed.

17) A static budget is appropriate in evaluating a manager's performance if
a. actual activity closely approximates the master budget activity.
b. actual activity is less than the master budget activity.
c. the company prepares reports on an annual basis.
d. the company is a not-for-profit organization.

18) What is the primary difference between a static budget and a flexible budget?
a. The static budget contains only fixed costs, while the flexible budget contains only variable costs.
b. The static budget is prepared for a single level of activity, while a flexible budget is adjusted for different activity levels.
c. The static budget is constructed using input from only upper level management, while a flexible budget obtains input from all levels of management.
d. The static budget is prepared only for units produced, while a flexible budget reflects the number of units sold.

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19) The master budget of Windy Co. shows that the planned activity level for next year is expected to be 50,000 machine hours. At this level of activity, the following manufacturing overhead costs are expected:

Indirect labor	RM720,000
Machine supplies	180,000
Indirect materials	210,000
Depreciation on factory building	150,000
Total manufacturing overhead	RM1,260,000

A flexible budget for a level of activity of 60,000 machine hours would show total manufacturing overhead costs of

a. RM1,482,000.
b. RM1,260,000.
c. RM1,512,000.
d. RM1,362,000.

20) What budgeted amounts appear on the flexible budget?
a. Original budgeted amounts at the static budget activity level
b. Actual costs for the budgeted activity level
c. Budgeted amounts for the actual activity level achieved
d. Actual costs for the estimated activity level

(2 marks each)

(Total 40 marks)

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SECTION B

QUESTION 1

Harapan Industries manufactures dining chairs and tables. The following information is available:

	Dining Chairs	Tables	Total Cost
Machine setups	200	600	RM48,000
Inspections	250	470	RM72,000
Labor hours	2,600	2,400	

Harapan is considering switching from one overhead rate based on labor hours to activity-based costing.

Instructions
Perform the following analyses for these two components of overhead:

a) Compute total machine setups and inspection costs assigned to each product, using a single overhead rate.

(8 marks)

b) Compute total machine setups and inspection costs assigned to each product, using activity-based costing.

(10 marks)

c) Comment on your findings.

(2 marks)

(Total 20 marks)

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QUESTION 2

The income statement for Power Machine Company for 2015 appears below.

POWER MACHINE COMPANY
Income Statement
For the Year Ended December 31, 2015

Sales (40,000 units)	RM1,000,000
Variable expenses	700,000
Contribution margin	300,000
Fixed expenses	360,000
Net income (loss)	RM (60,000)

Instructions
Answer the following independent questions and show computations using the contribution margin technique to support your answers:

a) What was the company's break-even point in sales dollars in 2015?

(4 marks)

b) How many additional units would the company have had to sell in 2016 in order to earn net income of RM45,000?

(8 marks)

c) If the company is able to reduce variable costs by RM2.50 per unit in 2016 and other costs and unit revenues remain unchanged, how many units will the company have to sell in order to earn a net income of RM45,000?

(8 marks)

(Total 20 marks)

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QUESTION 3

Forward Company has developed the following standard costs for its product for 2016:

FORWARD COMPANY
Standard Cost Card
Product A

Cost Element	Standard Quantity	×	Standard Price	=	Standard Cost
Direct materials	4 pounds		RM3		RM12
Direct labor	3 hours		8		24
Manufacturing overhead	3 hours		4		12
					RM48

The company expected to produce 30,000 units of Product A in 2016 and work 90,000 direct labor hours.

Actual results for 2016 are as follows:

- 31,000 units of Product A were produced.
- Actual direct labor costs were RM746,200 for 91,000 direct labor hours worked.
- Actual direct materials purchased and used during the year cost RM346,500 for 126,000 pounds.
- Actual variable overhead incurred was RM155,000 and actual fixed overhead incurred was RM205,000.

Instructions
Compute the following variances showing all computations to support your answers. Indicate whether the variances are favorable or unfavorable.

(a) Materials quantity variance.

(4 marks)

(b) Total direct labor variance.

(4 marks)

(c) Direct labor quantity variance.

(4 marks)

(d) Direct materials price variance.

(4 marks)

(e) Total overhead variance.

(4 marks)

(Total 20 marks)

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